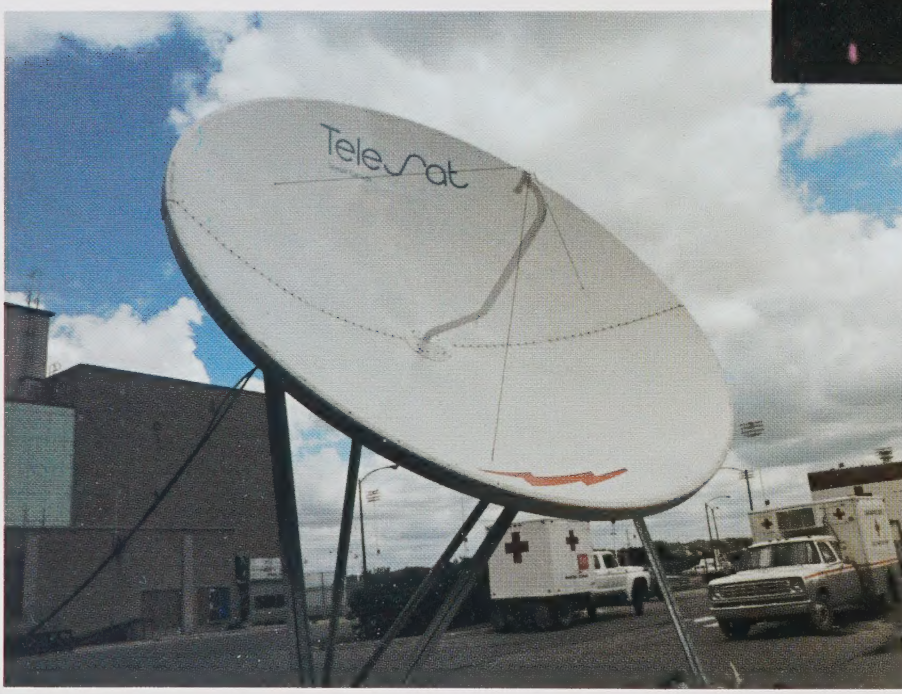
moffat communications limited annual report 1978

A co-production of Videon and CKY-TV, featuring Harry Belefonte, Catherine McKinnon and the Winnipeg Symphony Orchestra and broadcast on the entire CTV Television Network was the most viewed Canadian program in the Spring 1978 survey.



On July 26, 1978, the first public demonstration of satellite reception in Winnipeg by Telesat Canada, in co-operation with the local cable companies and CKY-TV, was used to attract blood donors for the Red Cross.

President J. Ronald Mitchell admires the million dollar Moffat mobile featured on the cover which was so designed that it can be used for pickup of events for telecast on the Videon access community channel and for professional productions for CKY-TV and independent producers.

moffat communications limited

Five Year Review

years ended August 31

	1978	1977	1976	1975	1974
INCOME (000)					
Revenues	$27,192	$20,479	$17,012	$14,962	$12,828
Operating Profit (1)	9,209	7,270	6,224	5,399	4,669
Operating Profit Margin	33.9%	35.5%	36.6%	36.1%	36.4%
Net Income	3,053	2,822	2,355	1,875	1,560
Net Income Profit Margin	11.2%	13.8%	13.9%	12.5%	12.2%
Cash Flow (2)	5,096	4,276	3,715	3,275	3,167
Dividends	762	578	382	266	240
BALANCE SHEET (000)					
Capital Expenditures	$ 4,062	$ 1,860	$ 1,764	$ 1,981	$ 1,435
Working Capital	669	3,690	1,971	1,027	304
Shareholders' Equity	15,158	12,792	10,101	8,128	6,519
Return on Average Shareholders' Equity	21.8%	24.7%	25.8%	25.6%	26.6%
ON A PER SHARE BASIS (3)					
Net Income	$ 1.31	$ 1.23	$ 1.05	83.3¢	69.3¢
Dividends	32.7¢	25.3¢	17.3¢	13.3¢	10.7¢
Cash Flow	2.19	1.87	1.65	1.45	1.41
Book Value	6.47	5.50	4.49	3.61	2.90

(1) Operating Profit - revenues less operating expenses.

(2) Cash Flow - net income, depreciation and amortization and deferred income taxes less excess of net income of affiliates over dividends received.

(3) All years after giving effect to 3 for 2 share split in 1978.

GENERAL

The management of a company engaged in broadcasting has much in common with the radio and television performers of the company since both management and performers work without a visible audience. It is not until responses are received from both the public and from critics that it is possible to know whether or not a performance has been successful.

As far as your Company is concerned, the latest responses received indicate that the Company did indeed perform well in 1978 and its success is all the more gratifying because the Company has never deviated from its prime aim and objective, namely the provision of the best possible quality of broadcasting having regard to the best interests of both the shareholders of the Company and the public.

By the August 31, 1978 fiscal year end of the Company it had achieved a number of performance records, notwithstanding that income growth was limited by losses of discontinued operations, start-up costs of the radio trade magazine and financing and amortization of goodwill on the acquisition of the balance of the equity of radio station CHED:

- Gross revenues from operations both as a result of internal growth and the inclusion of revenue of radio station CHED, Edmonton increased 32.8% to $27,191,000.
- Net income for the year increased 8.2% to $3,053,000.
- Funds provided from operations increased 21.2% to $5,269,000.
- Capital expenditures increased 118.3% to a record $4,062,000.
- Dividends increased 31.9% to $762,000.

One result of all this is that the Company enjoyed yet another opportunity to increase dividends. Dividends paid in fiscal 1978 represent 27% of the net income for the previous year. Dividends of 12¢ per share payable November 30, 1978 and 36¢ per share payable December 15, 1978 were declared October 23, 1978. The December 15 special dividend is an acceleration of the regular quarterly dividends which would likely have been declared for the second, third and fourth quarters of the fiscal year of the Company to end August 31, 1979. You will notice that the 48¢ paid is a 47% increase over dividends in 1978.

RADIO OPERATIONS

The biggest financial achievement of the year followed the decision of the Canadian Radio-television and Telecommunications Commission on December 19, 1977 to permit us to acquire at a cost of $4,125,000 the remaining 55% equity interest in Edmonton radio station CHED and the related land and building.

1978 was a year of improvement, minor in some cases but always significant, in audience levels and sales. All stations but one — CKLG Vancouver — showed an increase in profit. The decline in profit at CKLG was caused by rising expenses against a virtually flat sales graph.

During the year Vern Traill was appointed Vice-President and General Manager of CKLG-AM/FM Vancouver and his former position as General Manager of CHAB Moose Jaw was taken over by former General Sales Manager Duncan Cameron. Keith James, formerly Vice-President, Program Development and Research of the Company was appointed Vice-President and General Manager of CKXL/CHFM Calgary.

Long-term officers, T.E. McBride, formerly at CKXL Calgary and D.M.E. Hamilton, formerly at CKLG Vancouver left the employ of the Company during the year. We thank them for the valuable contribution they made and wish them success in their future endeavours.

In 1978, the Company received CRTC approval to boost the CKXL Calgary signal power to 50,000 watts and the attendant changes in technical facilities to permit this increase were completed on September 7, 1978. The transmission location at CKY-AM Winnipeg was completely rebuilt during the year.

The CRTC considered at public hearings, which began May 8th, but denied the applications by CITI-FM Winnipeg and CHFM-FM Calgary to change their program formats. The reason given for the denial was that changes had been put into effect prematurely. We believe the changes that were made to be consistent with the intent of the FM policy of the CRTC and re-submitted applications will be considered at the CRTC hearings in December 1978. At the same hearings, we will also apply for permission to establish an FM station to serve Edmonton and to renew our licence for CKY-AM Winnipeg. The CRTC renewed the CHED Edmonton broadcasting licence to March 31, 1982.

TELEVISION

In this medium, the picture is clear and our reception is first class. In Winnipeg and the remainder of the area we serve in Manitoba we reach 97% of the total population. This fact has enabled us to increase both sales and operating profit in the 1978 fiscal year.

Special congratulations are due to CKY-TV; for the second consecutive year they have been awarded the Gordon H. Love national award for news excellence.

Our promise of higher quality broadcasting is more than words, it's fact. For example, viewers of CKY-TV and Winnipeg Videon Limited are able to enjoy better and faster coverage of events in their area, at a community and a professional level, thanks to the new mobile unit purchased during the year.

Another example of matching performance to promise is our co-production activity with Videon. With this commitment we have been able to co-produce TV shows of network quality at both CKY-TV and CKND-TV (the independent station in Winnipeg). One of our CKY-TV specials, a show featuring Harry Belafonte and the Winnipeg Symphony Orchestra, attracted the largest national audience of any Canadian show in the Spring 1978 survey. Our efforts also include support for Canadian songwriters and composers.

CABLE TELEVISION

In Winnipeg, a total of 116,066 households, or 80.7% of those available in Videon's licensed area, subscribe to its CATV service.

	August 31	
	1978	1977
Household subscribers	116,066	105,531
Households where cable service is available	143,665	141,295
Households in licensed area .	144,275	141,905

Decision on the Videon application to increase the monthly subscriber rate from $5.00 to $5.50 has been deferred pending further study of rental charges of the Manitoba Telephone System.

In the long run it is probable that the delivery of signal via the domestic satellite ANIK B would permit the most efficient distribution of foreign signals. Our involvement in these negotiations is necessary in order to minimize the subsidy to be provided by Winnipeg cable subscribers to other Manitoba CATV subscribers.

Because little progress was made by cable licensees in Manitoba to reach agreement on a formula for sharing microwave delivery costs to various Manitoba communities from the Tolstoi Manitoba receiving station, the CRTC approved the applications of three of the newly licensed cable companies for an interim period of two years to be excused from the conditions of their licence that requires them to own part of the Tolstoi receiving station and share delivery costs. Cable service has commenced in three rural Manitoba communities and efforts continue to conclude a proper microwave cost sharing agreement.

On September 1, 1978 Videon began delivery by microwave from Tolstoi to Winnipeg of the programs of WDAZ-TV, an NBC affiliate station. The new operation has provided improved signal quality to our subscribers.

The right-of-way access agreement with the Manitoba Telephone System for the Winnipeg CATV system operated by Videon has been automatically extended to May 1, 1984.

OTHER DIVISIONS

Our expanded wholesale tour business did not meet the objectives set for it and was closed out on May 1, 1978. We also reduced our equity interest in the retail travel business to 17% and the student tour activity to 25%. Over the four years of their operation these enterprises virtually broke even. However, during the period, our radio and television stations received advertising and promotion revenues which would not otherwise have been generated.

Our association with Consumer Behavior Center Inc. of Dallas, is continuing. This company pretests commercials using galvanic skin response and other modern techniques and research tools. This year it incurred a small loss but we anticipate that it will contribute to net income during the 1979 fiscal year.

In January 1978 we formed an association with respected journalist Claude Hall by setting up CHRR Corporation. This company publishes "Radio Report" a weekly radio trade magazine out of Los Angeles. The magazine has won acceptance with the radio industry in North America and we fully expect it to contribute to our 1979 net income. However, in the classic pattern of all magazine startups, the launch period has resulted in substantial costs. Our share of losses for the first seven months of operation amounted to $200,000. CHRR Corporation achieved an operating profit in October 1978 and we expect profits to increase. All start-up costs were expensed during 1978 and no income taxes will be payable by CHRR until the 1978 loss has been recovered.

CONCLUSION

We know that people judge us by what they see and hear through our facilities. For that reason, we have continued to try and provide the highest quality programming and signals to our listeners and viewers. As central support to our aim, we have continued to improve both working conditions and efficiencies for our 431 employees. A total of $9,481,318 — more than half our total operating expenses — was paid in 1978 for salaries, wages, employee benefits and non-staff talent.

In conclusion, and perhaps justification for our last comment, may we add that our general performance in 1979 promises to be excellent. Bookings of advertising orders received to date indicate that we can anticipate an improved sales and net income position for the year.

Our final comment is a personal and sincere thank you to all the employees whose efforts made 1978 a record year. Thank you all for a job well done.

On behalf of the Board:

November 24, 1978

Randall L. Moffat
Chairman

J. Ronald Mitchell
President and
Chief Executive Officer

The Board of Directors paused for a picture before the October 1978 meeting.
From left to right, back row - Bennet R. Wong, M.D., J. Ronald Mitchell, J. Blair MacAulay, F. Newton Hughes.
Front row - Donna M. Hardstaff, Randall L. Moffat, Donald J. McDonald, Gary T. Brazzell.

moffat communications limited

Consolidated Statement of Income

For the year ended August 31, 1978
(with comparative figures for 1977)

	1978	1977
GROSS REVENUE FROM OPERATIONS	$27,191,604	$20,478,797
SHARE OF NET INCOME OF AFFILIATES	4,200	304,526
	27,195,804	20,783,323
EXPENSES:		
Operating	17,986,316	13,209,093
Depreciation and amortization	1,428,337	1,250,643
Interest	777,002	497,090
Income taxes - current	3,165,795	2,422,601
- deferred	539,922	336,712
Amortization of goodwill	79,110	—
	23,976,482	17,716,139
INCOME BEFORE UNDERNOTED	3,219,322	3,067,184
INTEREST OF MINORITY SHAREHOLDERS	166,322	245,564
NET INCOME FOR THE YEAR	$ 3,053,000	$ 2,821,620
NET INCOME PER SHARE (both years after giving effect to 3 for 2 share split)	$ 1.31	$ 1.23

The accompanying notes are an integral part of the financial statements.

moffat communications limited
(Incorporated under the Canada Corporations Act)

Consolidated Balance Sheet

As At August 31, 1978
(with comparative figures for 1977)

Assets	1978	1977
CURRENT ASSETS:		
Cash and short-term investments	$ 1,644,338	$ 3,240,606
Accounts receivable	3,830,785	2,519,755
Prepaid expenses	252,643	212,005
Total Current Assets	5,727,766	5,972,366
INVESTMENTS AND ADVANCES (note 2)	813,251	1,376,233
PROPERTY, PLANT AND EQUIPMENT (note 3)	13,319,393	9,570,253
DEFERRED CHARGES	265,920	150,041
BROADCAST LICENCES AND GOODWILL AT COST LESS AMORTIZATION (note 1d)	8,731,924	5,446,603
TOTAL	$28,858,254	$22,515,496

The accompanying notes are an integral part of the financial statements.

Liabilities and Shareholders' Equity	1978	1977
CURRENT LIABILITIES:		
Bank operating loans	$ 918,700	$ —
Accounts payable and accrued charges	2,503,281	1,006,287
Income taxes	210,157	441,188
Current portion of long-term debt	572,000	40,000
Unearned income	854,219	794,568
Total Current Liabilities	5,058,357	2,282,043
LONG-TERM DEBT (note 4)	5,065,824	4,665,041
DEFERRED INCOME TAXES	2,736,685	2,079,578
MINORITY INTEREST	839,267	696,730
SHAREHOLDERS' EQUITY:		
Capital stock (note 5)	1,093,406	1,018,378
Retained earnings	14,064,715	11,773,726
Total Shareholders' Equity	15,158,121	12,792,104
TOTAL	$28,858,254	$22,515,496

Approved by the Board:

Andrew L. Moffat
Director

Director

moffat communications limited

Consolidated Statement of Changes in Financial Position

FOR THE YEAR ENDED AUGUST 31, 1978
(with comparative figures for 1977)

	1978	1977
WORKING CAPITAL PROVIDED:		
From operations:		
Net income for the year	$3,053,000	$2,821,620
Items not affecting working capital:		
Depreciation	1,428,337	1,250,643
Deferred income taxes	539,922	336,712
Share of income of affiliates	(4,200)	(304,526)
Minority interest share of income	166,322	245,564
Amortization of goodwill	79,110	—
Other	6,659	(290)
	5,269,150	4,349,723
Dividends from affiliates	—	171,000
Issue of debentures	1,116,000	—
Issue of shares	75,028	447,114
Sale of property and equipment	100,059	14,978
Receipts from minority shareholders	39,000	30,001
Other	21,892	2,496
TOTAL	6,621,129	5,015,312
WORKING CAPITAL APPLIED:		
Capital expenditures	4,061,789	1,860,327
Purchase of shares in former affiliates, net of working capital of $222,504	3,902,496	—
Payments to minority shareholders	40,000	28,925
Advance to officer	—	433,775
Long-term debt	715,217	292,888
Dividends (including 15% tax)	762,011	577,646
Deferred charges	115,879	102,007
Sundry investments	44,651	—
TOTAL	9,642,043	3,295,568
(DECREASE) INCREASE IN WORKING CAPITAL FOR THE YEAR	(3,020,914)	1,719,744
WORKING CAPITAL AT BEGINNING OF THE YEAR	3,690,323	1,970,579
WORKING CAPITAL AT END OF THE YEAR	$ 669,409	$3,690,323

The accompanying notes are an integral part of the financial statements.

moffat communications limited

Consolidated Statement of Retained Earnings

for the year ended August 31, 1978
(with comparative figures for 1977)

	1978	1977
Balance at beginning of the year	$11,773,726	$ 9,529,752
Net income for the year	3,053,000	2,821,620
	14,826,726	12,351,372
Dividends (note 5)	762,011	577,646
Balance at end of the year	$14,064,715	$11,773,726

Auditors' Report to the Shareholders of Moffat Communications Limited:

We have examined the consolidated balance sheet of Moffat Communications Limited as at August 31, 1978, and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at August 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Canada
October 23, 1978

Deloitte, Haskins & Sells
Chartered Accountants

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation
The accounts of all subsidiaries are included in the consolidated statements. The subsidiaries are as follows:

Wholly-owned:
MTV Limited, Radio Station CHED Ltd., Sibbald Arms Ltd., Emcee Services Ltd., EMM/CEE Productions Ltd., EMM Publishing Ltd., CEE Publishing Ltd., Manipro Ltd. and MCL Corporation.

Partially-owned:
Winnipeg Videon Limited (80% - 74.5% voting), Consumer Behavior Center Inc. (60%), CHRR Corporation (80%).

Investments in shares of an affiliated company, Relay Communications Ltd. (50% owned) are carried at cost plus equity share of net income less dividends received.

During the year, the Company received approval from the Canadian Radio-television and Telecommunications Commission to increase its interest in Radio Station CHED Ltd. and Sibbald Arms Ltd. from 45% to 100%. The purchase agreement provided for all earnings of these companies to accrue to the Company retroactive to September 1, 1977, from which date the selling shareholders were to receive interest on the purchase price. The accounts of these two new subsidiaries were consolidated in the Company accounts for the first time as at and for the year ended August 31, 1978. In the comparative figures as at and for the year ended August 31, 1977 the investments in the then affiliates were accounted for on the equity basis.

The acquisitions were accounted for by the purchase method, the net assets acquired and consideration given being as follows:

Total assets at fair value excluding goodwill	$1,976,580
Liabilities assumed	531,837
	1,444,743
Less 45% interest previously owned	650,134
	794,609
Radio licence and goodwill	3,330,391
Net assets acquired	4,125,000
Cash payment	3,009,000
Debentures issued	$1,116,000

Two former subsidiaries, MCL Travel Limited and Sunglow Holidays Limited, were dissolved during the year and their net assets and operating activities were integrated with those of the Company. The Company also reduced its holdings in former subsidiaries Media Tours Limited and Media Study Tours Limited to 17.5% and 25% respectively and the remaining investment therein is carried in other investments.

(b) Fixed Assets, Depreciation and Amortization
Plant and equipment costs, less 10% residual value and all leasehold improvement costs are charged to income over estimated useful lives as follows:

Buildings	- 20 years
Production and transmitting equipment	- 8 years
CATV distribution system	- 10 years
Furniture and fixtures	- 10 years
Automotive	- 4 years
Land improvements	- 25 years
Leasehold improvements	- over terms of leases

(c) Translation of United States Currencies
The accounts of United States subsidiary companies have been translated into Canadian dollars on the following basis:

1) current assets and current liabilities at the year end rates of exchange;
2) fixed assets, related depreciation and long-term investments at rates prevailing at dates of acquisition;
3) revenue and expense items, other than depreciation, at the average rates for the year.

(d) Broadcast Licences and Goodwill
These intangible assets consist solely of the excess of purchase price paid over the fair market value of tangible assets of acquired broadcasting properties. These business assets represent broadcasting licences and franchises which may be characterized as scarce assets, with very long and productive lives, which have historically increased in value with the passage of time. Goodwill acquired before April 1, 1974 and totalling $5,646,603 will not be amortized, but will be written down if there should be a diminution in its value. In accordance with the recommendation of the Canadian Institute of Chartered Accountants, such intangible assets acquired after April 1, 1974 and totalling $3,164,431 at August 31, 1978 (1977 - 0), are being amortized over periods of 40 years, even though in the opinion of Management, there has been no diminution of value of the respective properties. This amortization reduced earnings 3.4¢ per share in 1978 (1977 - 0¢).

(e) Income Taxes
The tax effect of each item in the Statement of Income is recognized in the current period, regardless of when the tax is paid. Taxes on amounts which affect financial and taxable income in different periods are reported as deferred income taxes.

(f) Long-term Leases
Lease costs are charged to expense based on the average of rental payments throughout the term of the lease. Payments made in excess of the amounts charged to expense are shown on the balance sheet as deferred charges. This account will be reduced by charges to operations in the latter years of the lease when payments will be lower than the average annual rate.

2. INVESTMENTS AND ADVANCES

	1978	1977
Affiliated companies - shares	$ 70,433	$ 570,399
- advances	135,894	148,390
Other - at cost (no quoted market value)	182,545	223,669
Advance to officer to purchase shares	424,379	433,775
	$813,251	$1,376,233

The advance for the purchase of shares bears interest at 2% per annum and an amount equivalent to all dividends paid on the shares is repayable against principal and interest, with any unpaid balance due on or before August 30, 1987.

3. PROPERTY, PLANT AND EQUIPMENT

	1978			1977
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Land	$ 624,095	$ —	$ 624,095	$ 184,523
Land improvements	17,388	14,858	2,530	3,239
Building	1,975,503	1,208,591	766,912	604,750
Production, transmission & CATV equipment	20,599,986	9,435,288	11,164,698	8,300,003
Automotive	122,132	75,476	46,656	31,145
Furniture & fixtures	792,028	291,068	500,960	243,537
Leasehold improvements	342,117	128,575	213,542	203,056
	$24,473,249	$11,153,856	$13,319,393	$9,570,253

4. LONG-TERM DEBT

Long-term debt comprises the following:

	Long-Term	Current
Term bank loan repayable in annual instalments of $250,000 September 1978, $607,000 September 1979 through 1984 and $608,000 in September 1985	$4,250,000	$250,000
Subordinated debenture repayable in quarterly instalments, $69,750 through January 1982	697,500	279,000
7% mortgage, repayable in monthly instalments through November 1981	118,324	43,000
	$5,065,824	$572,000

The term bank loan is secured by debentures of the Company issued under a Deed of Trust and Mortgage dated November 1, 1965. Interest is at prime bank rate plus 1½% for an effective rate of 11¼% at August 31, 1978. The subordinated debenture bears interest at prime bank rate plus 1¼% for an effective rate of 11% at August 31, 1978. The Trust Deed contains a provision whereby the Company will not pay dividends in any year in excess of 40% of its consolidated net income of the previous year without approval of the Bank. Interest on long-term debt amounted to $580,066 in 1978 ($486,222 in 1977).

5. CAPITAL STOCK

On August 17, 1978, the Company which was incorporated under the Companies Act of the Province of British Columbia, obtained Articles of Continuance under the Canada Business Corporations Act.

A three-for-two split of all shares was effected August 10, 1978. All numbers of shares, option prices and dividends per share set forth hereafter, including 1977 comparative numbers and amounts, give effect to the share split.

	Authorized	Issued & Outstanding At August 31	
		1978	1977
Class A Common	3,750,000	877,710	858,255
Class B Common	3,750,000	1,464,915	1,468,545

Both classes of shares are inter-convertible at any time and the only difference in rights of holders of Class A and Class B shares is that the former receive ordinary cash dividends and the latter receive either (a) cash dividends out of tax-paid undistributed surplus equal to 85% of dividends on Class A shares or (b) cash dividends out of 1971 capital surplus equal in amount to dividends on Class A shares.

During the year, 15,825 Class A shares were issued for $75,028 under the Employees' Stock Option Plan. Of the unissued Class A common shares, 27,375 have been reserved for allocation to employees under the stock option plan. As at August 31, 1978, options have been granted with respect to (a) 17,325 of these shares at a price of $4.64 2/3 per share exercisable on a calendar year basis to December 31, 1979 (b) 4,725 of these shares at a price of $5.33 1/3 per share exercisable on a calendar year basis to October 1, 1981 and (c) 5,250 of these shares at a price of $6.30 per share exercisable on a calendar year basis to October 17, 1982, to a maximum of 20% of the optioned shares each year plus unexercised options of the previous years. The outstanding options have no material dilutive effect on net income per share.

Dividends paid were as follows:

	1978	1977
Class A shares - 32.67¢ per share (1977 - 25.33¢)	$282,990	$193,532
Class B shares - 30.47¢ per share (1977 - 21.53¢)	446,620	329,460
2.20¢ re 15% tax (1977 - 3.80¢)	32,401	54,654
	$762,011	$577,646

Dividends on Class B shares during the current year were partly payable out of tax-paid undistributed surplus (85% of related dividends on Class A shares) and partly payable out of 1971 capital surplus (equal in amount to dividends on Class A shares). In the prior year, all dividends on Class B shares were payable out of tax-paid undistributed surplus.

Dividends paid during the year were within the limits established by the Anti-Inflation legislation.

6. STATUTORY INFORMATION

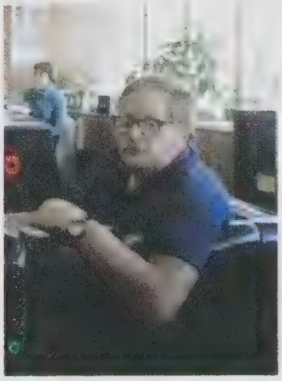
Remuneration of the 16 Directors and senior officers, as defined by The Securities Act of Ontario approximates $749,000 for the year ended August 31, 1978 (1977 - $762,000).

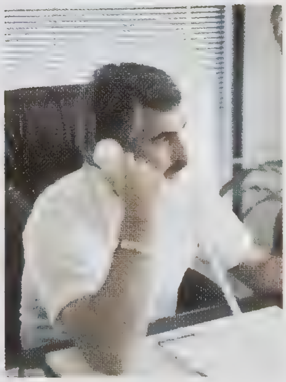
7. LEASE AGREEMENTS

The total lease rental payments for the year ended August 31, 1978 was $927,000 and based on existing lease commitments, will approximate $929,000 in 1979, $931,000 in 1980, $860,000 in 1981, $758,000 in 1982 and $762,000 in 1983.

Left: Sid Boyling, Vice-President and General Manager of Videon, Jim Purvis, Vice-President and General Manager of CKY-TV and Jack Baigrie, appointed Assistant General Manager of Videon in May 1978, review budgets for the mobile operations.
Right: W.A. (Bill) Davis points out significant trends to J. Ronald Mitchell.

The radio management group review the CKLG-FM licence renewal file following the October CRTC public hearing. From left to right - Standing: Keith P. James, Duncan Cameron, Alden Diehl. Seated: M.M. Jerry Forbes, James McLaughlin, Vern Traill.





Claude Hall of Radio Report and Dr. Tom Turrichi of Consumer Behaviour Centre Inc. operate companies in fields closely allied to broadcasting.

DIRECTORS

Gary T. Brazzell, Q.C.
Donna M. Hardstaff
F. Newton Hughes
J. Blair MacAulay
Donald J. McDonald
J. Ronald Mitchell
Randall L. Moffat
Bennet R. Wong, M.D.

OFFICERS

THE COMPANY

Randall L. Moffat
Chairman of the Board

J. Ronald Mitchell
President

Gary T. Brazzell, Q.C.
Secretary

William A. Davis
Vice-President — Finance and Treasurer

James W. McLaughlin
General Manager, Radio Administration

Duncan Cameron
General Manager
CHAB, Moose Jaw

Alden E. Diehl
Vice-President and General Manager,
CKY-AM/CITI-FM, Winnipeg

Keith P. James
Vice-President and General Manager,
CKXL-AM/CHFM-FM, Calgary

Vernon L. Traill
Vice-President and General Manager,
CKLG-AM/FM, Vancouver

SUBSIDIARY AND AFFILIATE COMPANIES

J. Sidney Boyling
Vice-President and General Manager,
Winnipeg Videon Limited, Winnipeg

Murray M. Forbes
Vice-President and General Manager,
Radio Station CHED Ltd., Edmonton

James S. Purvis
Vice-President and General Manager,
MTV Limited, (CKY-TV) Winnipeg

Claude Hall
President
CHRR Corporation, Los Angeles

Thomas Turicchi, PhD
President
Consumer Behavior Center Inc., Dallas

BANK

Canadian Imperial Bank of Commerce

TRANSFER AGENT

Canada Permanent Trust Company

STOCK LISTINGS

Toronto Stock Exchange
Vancouver Stock Exchange

AUDITORS

Deloitte, Haskins & Sells, Chartered Accountants

CORPORATE OFFICE

CKY Building, Polo Park, Winnipeg, Canada R3G 0L7

moffat communications limited

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communications limited

CKLG-AM, FM — Vancouver - 730/99.3
CKXL-AM, CHFM-FM — Calgary - 1140/95.9
CHED-AM — Edmonton - 630
CHAB-AM — Moose Jaw - 800
CKY-AM, CITI-FM — Winnipeg - 580/92.1
CKY-TV — Winnipeg - Channel 7
- CKYP-TV — The Pas - Channel 12
- CKYF-TV — Flin Flon - Channel 13
- CKYT-TV — Thompson - Channel 9
- CKYS-TV — Snow Lake - Channel 11
- CKYA-TV — Fisher Branch - Channel 8

CTV Television Network Ltd. (8.3% owned)
Winnipeg Videon Limited — CATV (80% owned)
Consumer Behavior Center Inc. — Dallas (60% owned)
CHRR Corporation — Los Angeles (80% owned)
Relay Communications Ltd. (50% owned)
- CKYB-TV — Brandon - Channel 4
- CKYD-TV — Dauphin - Channel 12

MCL Travel Limited (90% owned)
Media Tours Limited (63% owned)
Media Study Tours Limited (63% owned)
Sunglow Holidays Limited (90% owned)
Emcee Services Ltd.
EMM/CEE Productions Ltd.

moffat communications limited interim report

SIX MONTHS ENDED FEBRUARY 28, 1978

Executive Office
CKY Building, Polo Park
Winnipeg, Canada
R3G 0L7

moffat communications limited

INTERIM FINANCIAL REPORT
(unaudited)
FOR THE SIX MONTHS ENDED FEBRUARY 28, 1978
(with comparative figures for 1977)

CONSOLIDATED SUMMARY OF INCOME	1978	1977
	(000 Omitted)	
Revenue from operations	$ 13,040	$ 10,029
Income from affiliates	3	136
	13,043	10,165
Expenses:		
Operating	8,465	6,160
Depreciation and amortization	714	613
Interest on debt	399	287
Income taxes	1,786	1,510
Minority interest	89	125
Amortization of goodwill	39	-
	11,492	8,695
NET INCOME	$ 1,551	$ 1,470
Net income per share (Based on weighted average shares outstanding)	$ 1.00	98.0¢

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION	1978	1977
Sources of Working Capital:		
Income from operations	$ 1,551	$ 1,470
Items not affecting working capital:		
Depreciation and amortization	714	613
Deferred income taxes	152	48
Minority interest in earnings	89	125
Equity in earnings of associated companies (1977-net of dividends of $86)	(3)	(50)
Goodwill amortization	39	-
Working capital provided by operations	2,542	2,206
Issuance of debentures	838	-
Issuance of treasury shares	10	439
Total sources	$ 3,390	$ 2,645
Uses of Working Capital:		
Acquisition of subsidiaries - net of working capital acquired	3,902	-
Purchase of property, plant and equipment	1,877	844
Dividends	341	239
Advance to officer to purchase shares	-	439
Repayments of long-term debt	271	270
Increase in deferred charges	54	53
Total uses	6,445	1,845
Increase (decrease) in working capital	(3,055)	800
Working capital - beginning of year	3,690	1,971
Working capital - end of period	$ 635	$ 2,771

REPORT TO THE SHAREHOLDERS

Consolidated net income of Moffat Communications Limited and subsidiaries for the six months ended February 28, 1978 totalled $1,551,000 compared with $1,470,000 for the same period in 1977. On a per share basis, earnings totalled $1.00 compared with 98¢ in 1977.

The CRTC will consider at Public Hearings commencing May 8, 1978, the application by Winnipeg Videon Limited (80% owned) to increase subscriber rates by 50¢, from $5.00 to $5.50 per month. This is the first increase in monthly subscriber rates since the Company commenced operations in August 1968. Videon presently provides service to 114,000 household subscribers.

Bookings of radio and television advertising contracts for the last five months of this fiscal year are 16.5% ahead of last year on the same date.

As explained in our previous quarterly report, in the travel division, the wholesale tour activity expansion has not proved as successful as anticipated and this activity was discontinued effective April 30, 1978.

Your Directors today declared a dividend of 12¢ per Class A Common share and 12¢ (out of Capital Surplus on Hand) per Class B Common share payable on May 31, 1978 to shareholders of record on May 16, 1978. This is an increase from the previous quarterly rate of 11¢ per share. Shareholders are reminded that Class A Common shares and Class B Common shares are inter-convertible and depending on whether shareholders wish to receive taxable dividends or tax-deferred dividends out of capital surplus, it may be desirable for shareholders to convert their shares prior to the record date.

May 1, 1978

J. Ronald Mitchell,
President